

**Local
Governments'
Guide
to
Tax
Allocations**

**Business District Development and
Redevelopment Sales Tax**

**What is the
Business District
Sales Tax?**

This is a tax designed to fund the development or redevelopment of certain designated areas within a municipality. The municipality may impose this tax if it has a development or redevelopment plan for an area of the municipality that

- is contiguous (the properties within the area border each other),
- includes only parcels of real property that will directly and substantially benefit from the proposed plan, and
- is blighted, as defined in the Illinois Municipal Code, 65 ILCS 5/11-74.3-5(3).

If a municipality chooses to impose this tax, it must impose both a Retailers' Occupation Business District Tax and a Service Occupation Business District Tax.

**Is voter approval
required before
implementation?**

No, voter approval is **not** required.

**What must a
municipality do to
establish this tax?**

The corporate authorities of the municipality must hold public hearings at least one week before designating the business district. The municipality must then file a certified copy of the proper ordinance with the Illinois Department of Revenue.

Note: An ordinance or resolution is also required to change or discontinue this tax.

**What is the
deadline for filing
the ordinance?**

If the department receives a certified copy of the proper ordinance **and all additional required information** on or before

- April 1, we will administer and enforce the tax beginning the following July 1, and
- October 1, we will administer and enforce the tax beginning the following January 1.

**What additional
information is
required?**

The information you must provide to the department before the business district tax for your municipality can take effect is explained below.

Any municipality that has met the requirements to establish a business district and adopted an ordinance imposing both a Retailers' Occupation Business District Tax and Service Occupation Business District Tax must provide the Illinois Department of Revenue with

- a certified copy of the ordinance imposing both the retailers' and service occupation taxes for the business district.
- a detailed map of the business district. This map will be put on the department's web site to assist retailers in determining if they are located within the business district.
- a copy of the development or redevelopment plan for the business district.
- a detailed list of each address located within the district's boundaries. The list must contain the street name, street number, city, state, and zip code for each piece of property located within the district. This is the information the department uses to notify retailers they are within a business district and are required to collect additional tax.



Business District Development and Redevelopment Sales Tax

What review process does the department follow for the information submitted?

Each ordinance will be reviewed for approval by two offices in the department.

When needed, each office will work with you to bring the requirements into compliance. You will receive a separate notification of approval from each of these offices. The process we follow is explained below:

- The Legal Services Office determines if the ordinance language is legally sufficient to impose the tax. During this process, it is possible the department may find that an amendment to the ordinance language is required. You will be notified in writing of the Legal Service Office's determination.
- The Local Tax Allocation Division (LTAD) determines whether the address list is approved or denied. During this process, you will be asked to verify information we provide and make any required corrections or changes.
 - LTAD will compare the address list you provided to the most current address information from the United States Postal Service (USPS).
 - After verification, we will return the entire list to you. If the USPS address is different from the one submitted on your list, we will list both addresses. You must determine which address we should use, verify the rest of the addresses, and return the verified list to LTAD.
 - From your approved list, we will provide you a list (Taxpayer Listing by Business Address) of any retailers doing business at those addresses. If you find errors or omissions, contact LTAD to resolve the problem. You will be required to confirm that the list of retailers is correct and return the verified list to LTAD.

Once your municipality has received approval from both of our offices (Legal Services and Local Tax Allocation) the department will notify all affected retailers of this rate change. We mail a letter to both the business district site location and the company or preferred mailing address that is on file with the department.

How time sensitive is the information I submit?

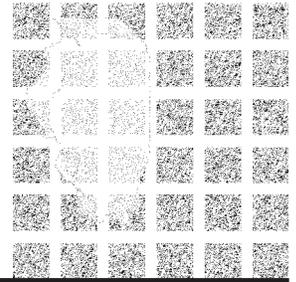
Time is critical to ensure that a business district sales tax rate takes effect on the intended date. January 1 and July 1 are the only dates that business district sales taxes can be imposed or changed. For 45 days following the deadline for filing an ordinance with us (either April 1 or October 1), the department collects all rate changes and prepares an official notice of rate change. We send rate change notices to affected retailers 30 days in advance of the rate change.

If the approval process is not completed in time, the tax increase requested by your municipality may be delayed until the next implementation date.

To what sales does the tax apply?

You must collect business district sales tax on the same items of general merchandise reported on Line 4a of Form ST-1 and Form ST-2. The sales that are subject to state sales tax are also subject to business district sales tax. Business District Sales Tax must be collected on general merchandise sold within the business district whether the merchandise is sold at retail or transferred as a part of a sale of service.

Business District Development and Redevelopment Sales Tax



What types of sales are *not* subject to this tax and will *not* generate more revenue?

Business district sales tax **does not** apply to

- sales of qualifying food, drugs, and medical appliances* (reported on Line 5a of Form ST-1 and Form ST-2), or
- items that must be titled or registered by an agency of Illinois state government (reported on Form ST-556, Sales Tax Transaction Return).

At what rate and for how long can the tax be imposed?

Business District Sales Tax may be imposed in 0.25% increments and cannot exceed 1%. The tax can be imposed for no longer than 23 years.

How are retailers notified about this tax?

The department sends each retailer within the business district, a letter informing them of the tax rate and the date the rate takes effect.

In addition, twice a year, when rate changes take effect, the department issues an informational bulletin providing the affected locations and the new rates. The bulletin includes rate changes for business districts.

Can we get a listing of only those retailers located within the business district?

Yes, we will provide local governments or municipalities that information. Please contact our office at the address or phone number below.

LOCAL TAX ALLOCATION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
101 WEST JEFFERSON
SPRINGFIELD IL 62702

217-785-6518
217-524-0526 fax

Will we get a separate check for the distributions from this tax?

Yes, the check you receive from the State Treasurer will be separate from other allocations. The municipality must deposit this money into a special "Business District Tax Allocation Fund" to be used for paying eligible costs associated with the business district project.



Business District Development and Redevelopment Sales Tax

When will the municipality receive its first tax collection?

For taxes imposed effective January 1, the first disbursement will be made to local governments during the following April. For taxes imposed effective July 1, the first disbursement will be made to the local governments during the following October.

Statutory reference

65 ILCS 5/11-74.3-1 et seq.